

**SUB-DRAINAGE DISTRICT NO. 3 OF GRAVITY DRAINAGE
DISTRICT NO. 5 OF THE PARISH OF ST. TAMMANY,
STATE OF LOUISIANA**

Financial Statements with Supplementary Information

December 31, 2017

(With Independent Accountants' Compilation Report Thereon)

**SUB-DRAINAGE DISTRICT NO. 3 OF GRAVITY DRAINAGE DISTRICT NO. 5
OF THE PARISH OF ST. TAMMANY, STATE OF LOUISIANA**

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Independent Accountants' Compilation Report

**Board of Commissioners
Sub-Drainage District No. 3 of Gravity Drainage District No. 5
of the Parish of St. Tammany, State of Louisiana
Covington, Louisiana**

Management is responsible for the accompanying basic financial statements of the governmental activities of Sub-Drainage District No. 3 of Gravity District No. 5 of the Parish of St. Tammany, State of Louisiana (the District), as of and for the year ended December 31, 2017, which collectively comprise the District's basic financial statements as listed in the table of contents, in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

Management has elected to omit substantially all of the disclosures required by accounting principles generally accepted in the United States of America. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the District's financial position, results of operations, and cash flows. Accordingly, the financial statements are not designed for those who are not informed about such matters.

Accounting principles generally accepted in the United States of America require that budgetary comparison information on page 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting and for placing the basic financial statements in an appropriate operational, economic, or historical context. This information is the representation of management. This information was subject to our compilation engagement, however, we have not audited or reviewed the required supplementary information and, accordingly, do not express an opinion, a conclusion, nor provide any form of assurance on such information.

Management has omitted the management's discussion and analysis information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

The other supplementary information on page 9 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information is the representation of management. This information was subject to our compilation engagement, however, we have not audited or reviewed the required supplementary information and, accordingly, do not express an opinion, a conclusion, nor provide any form of assurance on such information.

Griffin & Fwman, LLC

January 12, 2018

**SUB-DRAINAGE DISTRICT NO. 3 OF GRAVITY DRAINAGE DISTRICT NO. 5
OF THE PARISH OF ST. TAMMANY, STATE OF LOUISIANA**

Statement of Net Position

December 31, 2017

(See Independent Accountants' Compilation Report)

Assets

Cash & cash equivalents	\$	83,924	
Capital assets		<u>363,971</u>	
			\$ <u><u>447,895</u></u>

Liabilities & Net Position

Liabilities:			
Accounts payable		26,024	
Bonds payable - current	\$	25,000	
Bonds payable - long-term		<u>26,000</u>	
Total liabilities			77,024
Net Position:			
Net investment in capital assets		312,971	
Unrestricted		<u>57,900</u>	
Total net position			<u>370,871</u>
Total liabilities & net position			\$ <u><u>447,895</u></u>

**SUB-DRAINAGE DISTRICT NO. 3 OF GRAVITY DRAINAGE DISTRICT NO. 5
OF THE PARISH OF ST. TAMMANY, STATE OF LOUISIANA**

Statement of Activities

For the Year Ended December 31, 2017

(See Independent Accountants' Compilation Report)

Expenses:		
Accounting & audit	\$ (3,794)	
Bank charges	(611)	
Commissions	(4,804)	
Insurance	(3,040)	
Repairs & maintenance	(4,000)	
Taxes and license	(301)	
Management fee	<u>(2,500)</u>	
Total expenses		(19,050)
General Revenues:		
Parcel fees	<u>64,000</u>	
Total general revenues		64,000
Non-Operating Revenue (Expense):		
Interest income	161	
Interest expense	<u>(2,905)</u>	
Total non-operating revenue (expense)		<u>(2,744)</u>
Change in net position		42,206
Net position - beginning of year		<u>328,665</u>
Net position - end of year		\$ <u><u>370,871</u></u>

**SUB-DRAINAGE DISTRICT NO. 3 OF GRAVITY DRAINAGE DISTRICT NO. 5
OF THE PARISH OF ST. TAMMANY, STATE OF LOUISIANA**

Governmental Funds

Balance Sheet

December 31, 2017

(See Independent Accountants' Compilation Report)

	<u>Assets</u>			<u>Total Government Funds</u>
	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Current Assets:				
Cash & cash equivalents	\$ 10,002	-	73,922	83,924
	<u>10,002</u>	<u>-</u>	<u>73,922</u>	<u>83,924</u>
 <u>Liabilities & Fund Balance</u>				
Current Liabilities:				
Accounts payable	-	-	26,024	26,024
Total current liabilities	<u>-</u>	<u>-</u>	<u>26,024</u>	<u>26,024</u>
Fund Balance:				
Committed to capital projects	10,002	-	47,898	57,900
Total fund balance	<u>10,002</u>	<u>-</u>	<u>47,898</u>	57,900
Total liabilities & fund balance	\$ <u>10,002</u>	<u>-</u>	<u>73,922</u>	

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	363,971
Debt used in governmental activities are not financial uses and are therefore not reported in the funds	<u>(51,000)</u>
Net position of governmental activities	\$ <u>370,871</u>

**SUB-DRAINAGE DISTRICT NO. 3 OF GRAVITY DRAINAGE DISTRICT NO. 5
OF THE PARISH OF ST. TAMMANY, STATE OF LOUISIANA**

Governmental Funds

Statement of Revenues, Expenditures, and Changes in Fund Balance

For the Year Ended December 31, 2017

(See Independent Accountants' Compilation Report)

		<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Government Funds</u>
Revenues:					
Parcel fees	\$	-	-	64,000	64,000
Interest income		17	-	144	161
		<u>17</u>	<u>-</u>	<u>64,144</u>	<u>64,161</u>
Total revenues		<u>17</u>	<u>-</u>	<u>64,144</u>	<u>64,161</u>
Expenditures:					
General					
Administrative expense		11,256	-	-	11,256
Accounting & audit		3,794	-	-	3,794
Repairs & maintenance		-	-	4,000	4,000
Debt Service					
Principal		-	24,000	-	24,000
Interest		-	2,905	-	2,905
Capital outlay		-	-	31,684	31,684
		<u>-</u>	<u>-</u>	<u>31,684</u>	<u>31,684</u>
Total expenditures		<u>15,050</u>	<u>26,905</u>	<u>35,684</u>	<u>77,639</u>
Other financing sources:					
Transfers (to)/from other funds		16,889	26,905	(43,794)	-
		<u>16,889</u>	<u>26,905</u>	<u>(43,794)</u>	<u>-</u>
Total other financing sources		<u>16,889</u>	<u>26,905</u>	<u>(43,794)</u>	<u>-</u>
Net change in fund balance		1,856	-	(15,334)	(13,478)
Fund balance, beginning of period		<u>8,146</u>	<u>-</u>	<u>63,232</u>	<u>71,378</u>
Fund balance, end of period	\$	<u><u>10,002</u></u>	<u><u>-</u></u>	<u><u>47,898</u></u>	<u><u>57,900</u></u>

**SUB-DRAINAGE DISTRICT NO. 3 OF GRAVITY DRAINAGE DISTRICT NO. 5
OF THE PARISH OF ST. TAMMANY, STATE OF LOUISIANA**

Governmental Funds

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to the Statement of Activities**

For the Year Ended December 31, 2017

(See Independent Accountants' Compilation Report)

Net change in fund balances - total governmental funds	\$ (13,478)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the Statement of Activities, the cost of those assets is capitalized and depreciated when applicable.	31,684
Repayment of bond principal is an expenditure in the governmental funds but the repayment reduces non-current liabilities in the Statement of Net Position. This is the amount of bond principal repayments.	<u>24,000</u>
Change in net position of governmental activities	\$ <u><u>42,206</u></u>

**SUB-DRAINAGE DISTRICT NO. 3 OF GRAVITY DRAINAGE DISTRICT NO. 5
OF THE PARISH OF ST. TAMMANY, STATE OF LOUISIANA**

Governmental Funds

**Statement of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual (Budgetary Basis) - General Fund**

For the Year Ended December 31, 2017

(See Independent Accountants' Compilation Report)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Interest income	\$ -	-	17	17
Total revenues	<u>-</u>	<u>-</u>	<u>17</u>	<u>17</u>
Expenditures:				
General				
Administrative expense	11,060	11,060	11,256	(196)
Accounting & audit	3,700	3,700	3,794	(94)
Legal & professional	-	-	-	-
Contingency	5,000	5,000	-	5,000
Debt Service				
Principal	-	-	-	-
Interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>19,760</u>	<u>19,760</u>	<u>15,050</u>	<u>4,710</u>
Other:				
Transfers (to)/from other funds	<u>19,760</u>	<u>19,760</u>	<u>16,889</u>	<u>2,871</u>
Net change in fund balance	-	-	1,856	1,856
Fund balance, beginning of period	<u>-</u>	<u>-</u>	<u>8,146</u>	<u>8,146</u>
Fund balance, end of period	<u>\$ -</u>	<u>-</u>	<u>10,002</u>	<u>10,002</u>

**SUB-DRAINAGE DISTRICT NO. 3 OF GRAVITY DRAINAGE DISTRICT NO. 5
OF THE PARISH OF ST. TAMMANY, STATE OF LOUISIANA**

**Schedule of Compensation, Benefits and Other Payments to
Agency Head or Chief Executive Officer**

For the Year Ended December 31, 2017

Peter Persson, Chariman of the District, received no compensation, benefits, or other payments of any kind during the year ended December 31, 2017.

**SUB-DRAINAGE DISTRICT NO. 3 OF GRAVITY DRAINAGE DISTRICT NO. 5
OF THE PARISH OF ST. TAMMANY, STATE OF LOUISIANA**

Schedule of Findings and Management Corrective Action Plan

For the Year Ended December 31, 2017

Finding 2017-1:

Criteria:

Management is responsible for developing internal controls related to the preparation of financial statements as well as preparing financial statements in accordance with accounting principles generally accepted in the United States of America.

Condition & Cause:

As is common in small organizations, management has chosen to engage the auditor to propose certain year-end adjusting entries and to prepare the Company's annual financial statements. This condition is intentional by management based upon the cost effectiveness of acquiring the ability to prepare financial statements in accordance with generally accepted accounting principles. Consistent with this decision, internal controls over the preparation of year-end adjusting entries and annual financial statements, complete with notes, in accordance with generally accepted accounting principles, have not been established. Under generally accepted auditing standards, this condition represents a significant deficiency in internal controls. Statement on Auditing Standards (SAS) 115 requires that we report the above condition as a control deficiency. The SAS does not provide exceptions to reporting deficiencies that are adequately mitigated with nonaudit services rendered by the auditor or deficiencies for which the remedy would be cost prohibitive or otherwise impractical.

Recommendation:

As mentioned above, whether or not it would be cost effective to cure a control deficiency is not a factor in applying SAS 115's reporting requirements. Because prudent management requires that the potential benefit from an internal control must exceed its cost, it may not be practical to correct all the deficiencies an auditor reports under SAS 115. In this case we do not believe that curing the significant deficiency described above would be cost effective or practical and accordingly do not believe any corrective action is necessary.

Management Corrective Action Plan:

In response to the finding, management feels that it is a prudent use of funds to engage the auditor to prepare the Company's annual financial reports. We therefore agree with the auditors' recommendation that no correction action is necessary.

**SUB-DRAINAGE DISTRICT NO. 3 OF GRAVITY DRAINAGE DISTRICT NO. 5
OF THE PARISH OF ST. TAMMANY, STATE OF LOUISIANA**

Status of Prior Year Findings

For the Year Ended December 31, 2017

Finding 2016-1:

Criteria:

Management is responsible for developing internal controls related to the preparation of financial statements as well as preparing financial statements in accordance with accounting principles generally accepted in the United States of America.

Condition & Cause:

As is common in small organizations, management has chosen to engage the auditor to propose certain year-end adjusting entries and to prepare the Company's annual financial statements. This condition is intentional by management based upon the cost effectiveness of acquiring the ability to prepare financial statements in accordance with generally accepted accounting principles. Consistent with this decision, internal controls over the preparation of year-end adjusting entries and annual financial statements, complete with notes, in accordance with generally accepted accounting principles, have not been established. Under generally accepted auditing standards, this condition represents a significant deficiency in internal controls. Recently issued Statement on Auditing Standards (SAS) 115 requires that we report the above condition as a control deficiency. The SAS does not provide exceptions to reporting deficiencies that are adequately mitigated with nonaudit services rendered by the auditor or deficiencies for which the remedy would be cost prohibitive or otherwise impractical.

Recommendation:

As mentioned above, whether or not it would be cost effective to cure a control deficiency is not a factor in applying SAS 115's reporting requirements. Because prudent management requires that the potential benefit from an internal control must exceed its cost, it may not be practical to correct all the deficiencies an auditor reports under SAS 115. In this case we do not believe that curing the significant deficiency described above would be cost effective or practical and accordingly do not believe any corrective action is necessary.

Management Corrective Action Plan:

In response to the finding, management feels that it is a prudent use of funds to engage the auditor to prepare the Company's annual financial reports. We therefore agree with the auditors' recommendation that no correction action is necessary.

Status of Finding:

There is no change in the status of this comment.